

## FINANCE AND INFORMATION SERVICES DEPARTMENT

### BUDGET OVERVIEW

(\$ In Millions)

	2005-2006 Budget	2007-2008 Preliminary Budget	2007-2008 Council Adopted Budget	Difference between Preliminary and Council Adopted Budget	% change
Total Budget	\$11.2	\$13.4	\$11.7	(\$1.7)	-13.0%

Note: May be slightly off due to rounding.

### COUNCIL'S FINAL CHANGES

Council reduced the Finance and Information Services budget by \$1,744,179 from the Preliminary Budget and gave the Administration discretion to manage the department within the new limit of \$11,701,226. As a result, the Finance and Information Services department does not have enough money to pay for services previously provided in the 2005-06 biennium, Council's outcome based budgeting initiative, and service deficiencies identified in the Preliminary Budget. Deficiencies exist in: payroll, forecasting and financial analysis, records management, critical technology support, data security, and disaster recovery. Following are the changes Council made from the Preliminary Budget:

Reduced funding for existing services	(\$1,023,704)
Eliminated funding to meet payroll and comply with mandates	(\$116,906)
Eliminated funding for forecasting and citywide financial analysis	(\$230,000)
Eliminated funding for business continuity and critical technology support	(\$119,626)
Eliminated funding for data security	(\$135,291)
Eliminated funding for city communication and disaster recovery	(\$216,352)
Eliminated funding for a Records Management program	(\$150,000)
Reduced funding for Utility Billing position which would have been 100% paid by the Utilities	(\$2,300)
<b>Subtotal of Council's Funding Reductions</b>	<b>(\$1,994,179)</b>
<b>New Program: Outcome Based Budgeting initiative</b>	<b>\$250,000</b>
<b>Total Council Changes</b>	<b>(\$1,744,179)</b>

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### COST DRIVERS

#### Salaries and Benefits

- Market and merit increases of 4.5% in 2007 and 2008. NOTE: Should not be construed as City's negotiating position.
- Medical premium increases of 13% per year.
- PERS rate increases of 132% between 2006 and 2008, as approved by the State Legislature.
- 3.0 FTEs added in Payroll, Financial Planning, and Utility Billing (see synopsis of proposed programs for more details).

#### Supplies

- Inflationary increases of 2.6% and 2.5% for 2007 and 2008, respectively; this is the first time in seven years departments have received a small adjustment for inflation.

#### Services

- Inflationary increases of 2.6% and 2.5% for 2007 and 2008; this is the first time in seven years departments have received a small adjustment for inflation.
- Public Defender Contract (professional services): new contract and higher trend in number of cases (\$175,860).
- Utility Billing and Business Licensing: postage increases (\$17,708) – 100% funded by utilities.
- Armored car services due to move to new City Hall (\$7,580).
- Fixed Asset: management software and physical inventory (\$34,000).
- Ongoing funding proposed for Records Management System (see synopsis of proposed programs for more details).

#### Intergovernmental Payments

- Inflationary increases of 2.6% and 2.5% for 2007 and 2008; this is the first time in seven years departments have received a small adjustment for inflation.
- Election Services: higher voter maintenance costs (\$28,943).

#### Interfund Transfers

- Information Technology Transfer:
  - Additional General Fund contribution of \$796,604 due to higher salary and benefits costs as noted above, properly budgeting for enterprise software licensing and new programs for disaster recovery, data security and critical support. See Information Technology Fund for more details.
- Fleet Maintenance Transfer:
  - \$5,196 reduction due to decrease in fleet maintenance costs.

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### **SYNOPSIS OF PROPOSED PROGRAMS INCLUDED IN THE PRELIMINARY BUDGET**

#### To meet payroll and comply with mandates (1.0 FTE; \$116,906) – FUNDING ELIMINATED

Payroll is important to maintaining a quality workforce for the City. Each employee, from Police Officers to Planners, relies on the payroll staff for an accurate paycheck on payday and accurate, timely benefit payments. The three person payroll staff is unable to keep up with the payroll demands of the City and is currently operating with an additional temporary staff person. Growth in the number of City employees and in benefit options is driving the need for an additional payroll position. No new payroll positions have been added for over ten years while the budgeted FTE count has risen from 462.11 in 1996 to 581.97 in 2006, a 25% increase. The actual number of employees paid, including supplementals, is over 700 per pay period.

New benefit programs have been added by the City and by the State Retirement System. The City recently initiated tax free medical cost sharing for dependent coverage and a tax free medical flex plan. The State Department of Retirement Systems added PERS 3 which includes 5 investment choice options for employees. Each new benefit requires initial coding in the payroll system as well as code updates when rates or benefits change. New or expanded benefits bring with them additional reporting requirements and payment remittances which are handled by the payroll staff. Continuing with insufficient staff in payroll will result in overtime demands that are likely to be followed by costly payroll staff turnover. Payroll is a critical function that enables the remainder of the City to continue operating and needs sufficient staff to do its job.

#### Forecasting and financial analysis (1.0 FTE; \$230,000) – FUNDING ELIMINATED

The City's Financial Planning Division is responsible for facilitating development of the City's budget including its six year financial forecast, monitoring the City's revenue and expenditures against budget, and serving as internal financial consultants to the Mayor, Council and departments. Over the last eleven years, workload for this division has become increasingly complex and demands for fiscal analysis and support have grown while at the same time its staffing has declined 20% from 5 FTEs in 1995 to 4 FTEs today. As a result, staff has not been able to respond to a large number of the requests made of them, have been unable to implement a new budgeting and position control system due to extremely high workload, and have eliminated the annual financial conditions report as well as abandoned performance measurement and utility tax audits. One additional staff person will begin to address some of these deficiencies, but not all. Approval of this request will restore staffing to 1995 levels and enable the Division to more effectively service the City's immediate and long-term financial planning needs.

Utility Billing to address growth in the City and UPDs.(1.0 FTE; \$114,340 which is 100% fee supported by the utilities) – **APPROVED FUNDING AT \$112,040**

Given the continued growth within the City limits and UPD (Redmond Ridge, Trilogy), rate structure differentiation and the anticipated impact of parcel based stormwater billing, the Utility Billing function cannot accommodate the additional responsibilities with current staff. Currently, the division is staffed with 3.56 FTEs.

In 2005, Utility Billing billed 13,700 accounts (15,387 meters) and mailed out over 115,000 statements for total revenues of \$28M. Customer service demands by phone, internet and fax have placed additional pressure on staff (average over 900 customer service calls a month). Additionally, due to 1997 changes in the state statute, the numbers of escrow closings requiring both an estimated and a final bill have significantly impacted the workload in Utility Billing. In 1998, 27% of closings were handled through escrow companies. In 2005, this figure increased to 40% of total closings for the year. Since 2002, we have added 2,489 utility accounts or experienced a 21.57% growth rate with no additional staff.

If this request is not funded, it will negatively impact service levels in Utility Billing, such as the increase in the telephone wait time for a customer service representative. Additionally, it will negatively impact billing, revenue collections, and response time for internal/external report requests. This FTE will allow Utility Billing to respond to the increasing demands of growth and provide City envisioned optimal service delivery.

Business continuity and critical support (1.0 FTE; General Fund: \$119,626, Other funds: \$29,664) – **FUNDING ELIMINATED**

Over the last 5 years, City staff has increased their reliance on technology to continue to deliver City services in an effective, efficient, cost-saving and customer-focused manner. Nearly every piece of equipment, every new program or initiative and every person working on behalf of the City of Redmond (employees, volunteers, and supplementals) now requires some hardware or software component to deliver optimal service. The number of devices (PCs, laptops and printers) has increased by 528% since 1995; the number of Help Desk calls has increased by 20% each year during the last five years; and the number of software applications currently in use exceeds 150. Technology solutions are ubiquitous and every one of these systems, once implemented, requires Help Desk support. Yet we have not increased Help Desk staff since the Help Desk was established in 1995. The inefficiencies and high cost associated with an understaffed Help Desk are exacting a productivity and emotional drain on the organization. The Network and Application Services divisions have had to take on first-level support responsibilities impeding their ability to focus on their own workload. Support is reactive and disjointed rather than proactive and connected; projects have been delayed; and maintenance, upgrades, and enhancements that protect the City from security vulnerabilities and provide improved system functionality are falling behind in every area of I.S. Without proper support of the hardware and software needed to fulfill the City's commitments to its constituents, optimal service delivery will not be possible. Properly staffing the Information Services Help Desk will provide immediate and long-term benefits to all City staff and, consequently, to all of our constituents as a result. Optimal service delivery is the City's mandate; we must properly staff the Information Services Help Desk to deliver on that promise.

Data security (General Fund: \$135,291, Other funds: \$33,549) – FUNDING ELIMINATED

Identity theft has become the fastest growing crime in the United States, if not the world. As of August, 2006, at least 148 security breaches have been reported in the U.S. potentially affecting 9.3 million individuals. 30% of these incidents occurred in governmental or military agencies -- a 12% higher rate of incidents than in general business. Unfortunately, for the past 10 years, Washington has remained in the undesirable “top 10” list of states for the occurrences of identity theft. To combat this increasing threat, regulations have been created that address the appropriate technical and physical safeguards that must be in place to restrict access to personal identifying information of employees and citizens. Information Services is proposing 3 programs to mitigate the risk at the workstation:

- purchase of anti-spyware software for all City workstations
- implementation of controls for downloading sensitive data to removable media
- workstation security compliance coupled with 2-factor authentication when accessing a workstation

City communication disaster recovery (General Fund: \$216,352, Other funds: \$53,648) – FUNDING ELIMINATED

As a City that resides in a “disaster zone”, Redmond must make every effort possible to ensure power and communication channels are available so the City can quickly respond to the needs of its citizens and businesses after a disaster. Purchase of a portable, backup generator for the Public Safety Building would provide an alternative source of power if the primary generator failed or used up its fuel. Creation of a Redundant Network Core at a location other than the Public Safety Building would allow for critical communications and rudimentary business functions for a short period of time following a disaster. The purchase of several servers that could be co-located with the Redundant Network Core could be configured to provide mission-critical business applications as quickly as 24 hours after a disaster. Enhancement of the existing backup and recovery system would ensure that mission-critical systems could be recovered close to the moment of the disaster reducing or eliminating the need to recover information manually.

Additional one-time funding for Records Management program approved in 2005-06 budget (\$150,000) – FUNDING ELIMINATED

Records and information are at the core of every transaction any organization undertakes. Yet the City lacks effective policies and procedures for systematic control of recorded information. As a result in 2005, the City Council approved one-time money to support an initiative to develop and implement a citywide Records and Information Management (RIM) program. This system would not only provide for better management, but also allow departments to reduce the file space needs in the new city hall, which has limited storage. Because of limited resources only one-time money was available to continue this program in 2007-2008. Sound records management practices guard against potential litigation and penalties due to noncompliance and contributes to the smooth operation of City programs. If long term funding is not identified, the City may need to downsize or curtail its record management program.

## FINANCE AND INFORMATION SERVICES DEPARTMENT

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
ADMINISTRATION		\$935,263	\$928,579	
Overall management of Finance/I.S. Department.	To provide leadership, oversight, policy direction, and act as an advisor to the Mayor, Council, and departments on city-wide financial, risk management, and information technology activities.			Core service
Manage the City's cash and investments. The City's investment portfolio is \$104M and has tripled over last decade.	To protect the City's assets in accordance with law and ensure a market rate of return while minimizing risk.			Legally mandated and core service
Manage debt. Outstanding debt of \$45.8M including City Hall. New debt of \$76.6M proposed for Stormwater, Water/Sewer, and Bear Creek.	To secure financing needed to pay for capital projects, ensure payment of required debt obligations, and maintain high credit ratings.			Legally mandated and core service
Administer MEBT and 457 programs.	To ensure retirement programs are in compliance with federal and state laws, assets are protected, and properly invested and diversified to minimize risk of loss.			Legally mandated and core service
Department overhead including City Annex Rent. (The last rent payment for the City Annex occurred in January 2006.)	To provide the resources necessary to lease space and pay for overhead (i.e. legal, communication, etc.) associated with carrying out department objectives.			Core service

## FINANCE AND INFORMATION SERVICES DEPARTMENT (cont.)

WHAT DO WE DO?		WHY DO WE DO IT?		HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
				2005-06	2007-08	
<b>FINANCIAL PLANNING</b>				<b>\$880,469</b>	<b>\$1,273,932</b>	
Facilitate city-wide preparation of the City's budget and CIP. The budget and CIP have grown tremendously over the past decade, while the staffing levels in Financial Planning have decreased 20%.	To ensure fiscal stewardship, accountability, and comply with State law. The budget and CIP are the financial and operating plans of the City which define how resources will be used to meet the needs of a growing community.					Legally mandated service
Quarterly and Mid-Biennium review of the budget.	To ensure fiscal stewardship, accountability, and comply with State law. These reviews are systematic assessments designed to provide elected officials, the public, and city staff an overview of how actual results compare to the established budget and CIP, identify major issues, and course corrections which may be necessary to ensure the success of a program or that the City lives within its means.					Legally mandated service
Long-range Financial Planning (e.g. six year forecast).	To analyze the effect of current financial decisions and emerging trends upon the City's finances. This information is used by staff and elected officials to develop strategies and make the necessary adjustments before problems reach serious proportions.					Value added service
Provides fiscal analysis support to client departments, the Mayor's office, and Council.	To help elected officials and city staff better understand the financial impacts and consequences of taking certain actions or implementing various programs.					Core service

**FINANCE AND INFORMATION SERVICES DEPARTMENT (cont.)**

<b>WHAT DO WE DO?                      WHY DO WE DO IT?</b>		<b>HOW MUCH DOES IT COST?</b>		<b>IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?</b>
		<b>2005-06</b>	<b>2007-08</b>	
<b>ACCOUNTING SERVICES</b>		<b>\$1,442,755</b>	<b>\$1,703,021</b>	
Accounting and auditing for the entire city.	To record all city transactions and ensure funds are spent in accordance with budget and federal and state laws. To provide financial information to the public, Mayor, Council, and departments. Fiscal accountability.			Legally mandated by Washington State
Pay employees. No new staff has been added in payroll in the last 10 years despite growth in employees and increasing mandates.	To acquire and retain a competent workforce and comply with labor agreements, city policies, and federal and state laws.			Legally mandated service
External financial reporting	To provide information to lenders and bondholders. Comply with GAAP and State law.			Legally mandated by Washington State and the SEC.
Grant research and application assistance to all city departments.	To leverage city resources and secure additional funding for programs and services.			
<b>PUBLIC DEFENSE SERVICES</b>	To provide legal representation to indigent citizens as required by state law.	<b>\$357,000</b>	<b>\$532,860</b>	Legally mandated service



## FINANCE AND INFORMATION SERVICES DEPARTMENT (cont.)

WHAT DO WE DO?		WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
			2005-06	2007-08	
<b>FINANCIAL OPERATIONS</b>			<b>\$1,200,195</b>	<b>\$1,347,692</b>	
Purchase and contract for goods and services.	Enable the City to acquire needed goods and services at fair, competitive prices. Competitive bidding is required by law.				Legally mandated and core service
Manages city fixed assets.	To adequately protect, account for and surplus/dispose of city assets.				Legally mandated service
Pay the City's bills.	Honor legal liability to pay suppliers and ensure continuous delivery of goods and services.				Core service
<b>REVENUE AND CONSUMER AFFAIRS</b>			<b>\$1,089,399</b>	<b>\$1,338,661</b>	
Bill customers for water, sewer and stormwater services, which are 100% paid by the utilities.	To ensure that customers are billed and revenues collected in a timely manner and in accordance with policy and law. To ensure resources are available to pay for city services/programs.				Legally mandated and core service
License businesses operating within city limits. Although the number of businesses and employees working in the City have increased dramatically, this function has been cut 25%.	To ensure that businesses are licensed and in compliance with city regulations and proper fees are collected.				Legally mandated and core service

## FINANCE AND INFORMATION SERVICES DEPARTMENT (cont.)

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-06	2007-08	
CITY CLERK		\$845,626	\$1,035,059	
Mayor/Council support - publish Council, extended and committee agendas; special meeting notices, minutes; coordinate and distribute agenda packets; schedule study session topics; prepare oaths of office, notices, ordinances and resolutions for signature, and public legal notices of the same.	Organized, well-run Council meetings and communication of city business to citizens for an informed electorate.			Legally required by RCW 35A.12
Manage the City's permanent records.	Proper execution of documents ensures the City's ordinances are legally binding. Indexing and filing documents enables staff to respond to information requests from the public.			Legally required by RCW 40.14
Hearing Examiners support - schedule hearings; publish agendas, notices, decisions/recommendations; provide materials for hearings and court cases and prepare exhibit lists.	Provides staff support to the Hearing Examiners who are under contract to the City. The Examiners provide a legal forum for the review of land use issues and appeals, including false alarm appeals. The Examiners are designated by the Council to be the hearing body.			Council delegated hearings to Hearing Examiners per Ordinance No. 2118. Core service.
Develop/monitor state legislative program/issues affecting the City.	Monitoring provides the Mayor/Council/staff with timely information regarding legislation affecting the City and alerts elected officials and staff of upcoming hearings on which the City may wish to testify. An awareness of adopted legislation gives staff/Council time to revise our ordinances/procedures to be in compliance.			Value added service

## FINANCE AND INFORMATION SERVICES DEPARTMENT (cont.)

WHAT DO WE DO?		WHY DO WE DO IT?		HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
				2005-06	2007-08	
<b>CITY CLERK (cont.)</b>						
Election Costs		The City is responsible for voter registration maintenance and the costs of all local measures appearing on the primary (special) and general election ballots.				
<b>REPROGRAPHICS</b>				<b>\$498,680</b>	<b>\$550,769</b>	
Handle organization's basic high volume copy and print needs.		To support departmental high volume copying and print needs in a centralized environment which is more efficient and cost effective than a decentralized approach.				Core and value added service
Provides centralized design and production of citizen and employee-focused print materials.		To enhance communications to the community related to city events, services, and citizen outreach programs.				Core and value added service
<b>INFORMATION SERVICES TRANSFER</b> (See Information Technology Fund for more details.)				<b>\$3,938,228</b>	<b>\$4,734,832</b>	
Maintain and support citywide application software, PCs, and GIS and manage the City's network servers and telephone system.		Ensure the integrity and stability of the City's mission critical systems and provide the infrastructure and a set of tools for city staff to perform their jobs more efficiently and cost effectively.				Core service
<b>TOTAL FINANCE &amp; INFORMATION SERVICES - PRELIMINARY BUDGET</b>				<b>\$11,187,615</b>	<b>\$13,445,405</b>	
<b>COUNCIL'S FUNDING REDUCTIONS</b>					<b>(\$1,744,179)</b>	
<b>TOTAL FINANCE &amp; INFORMATION SERVICES – COUNCIL ADOPTED BUDGET</b>				<b>\$11,187,615</b>	<b>\$11,701,226</b>	

# FINANCE AND INFORMATION SERVICES DEPARTMENT

## EXPENDITURE SUMMARY BY OBJECT

<b>FINANCE &amp; INFORMATION SERVICES</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
<b>Salaries</b>					
Salaries and Wages	\$4,592,400	\$5,249,092	\$656,692	14.3%	7.1%
Overtime	\$21,666	\$23,150	\$1,484	6.8%	3.4%
Supplemental Help	\$45,982	\$41,459	(\$4,523)	-9.8%	-4.9%
<b>Salaries Total</b>	<b>\$4,660,048</b>	<b>\$5,313,701</b>	<b>\$653,653</b>	<b>14.0%</b>	<b>7.0%</b>
<b>Benefits</b>					
MEBT	\$340,514	\$382,119	\$41,605	12.2%	6.1%
PERS	\$108,132	\$347,841	\$239,709	221.7%	110.8%
Benefits - Medical Premiums	\$565,061	\$778,155	\$213,094	37.7%	18.9%
Benefits - Worker's Compensation	\$25,729	\$29,868	\$4,139	16.1%	8.0%
Other Benefits	\$11,406	\$12,011	\$605	5.3%	2.7%
<b>Benefits Total</b>	<b>\$1,050,842</b>	<b>\$1,549,994</b>	<b>\$499,152</b>	<b>47.5%</b>	<b>23.8%</b>
<b>Supplies</b>					
Small Tools/Equip/Hardw/Software	\$19,596	\$27,659	\$8,063	41.1%	20.6%
Office and Other Supplies	\$64,602	\$67,110	\$2,508	3.9%	1.9%
<b>Supplies Total</b>	<b>\$84,198</b>	<b>\$94,769</b>	<b>\$10,571</b>	<b>12.6%</b>	<b>6.3%</b>
<b>Professional Services</b>					
Professional Services	\$604,292	\$957,513	\$353,221	58.5%	29.2%
Legal Services	\$29,748	\$30,904	\$1,156	3.9%	1.9%
Communications	\$129,016	\$151,857	\$22,841	17.7%	8.9%
Travel	\$22,416	\$23,285	\$869	3.9%	1.9%
Repairs - Outside	\$71,612	\$78,242	\$6,630	9.3%	4.6%
Other Services and Charges	\$253,347	\$137,846	(\$115,501)	-45.6%	-22.8%
<b>Professional Services Total</b>	<b>\$1,110,431</b>	<b>\$1,379,647</b>	<b>\$269,216</b>	<b>24.2%</b>	<b>12.1%</b>
<b>Interfund Transfers</b>					
Intergovernmental	\$337,742	\$371,532	\$33,790	10.0%	5.0%
Interfund - Info Technology	\$3,938,228	\$4,734,832	\$796,604	20.2%	10.1%
Interfund - Fleet	\$6,126	\$930	(\$5,196)	-84.8%	-42.4%
<b>Interfund Transfers Total</b>	<b>\$4,282,096</b>	<b>\$5,107,294</b>	<b>\$825,198</b>	<b>19.3%</b>	<b>9.6%</b>
<b>Council's Funding Reductions Total</b>	<b>\$0</b>	<b>(\$1,744,179)</b>	<b>(\$1,744,179)</b>	<b>n/a</b>	<b>n/a</b>
<b>Grand Total</b>	<b>\$11,187,615</b>	<b>\$11,701,226</b>	<b>\$513,611</b>	<b>4.6%</b>	<b>2.3%</b>